

Message Text

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DRAFTED BY E:RMPOATS

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TREASURY:JNEWMAN

S/S:MR. ORTIZ

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FM SECSTATE WASHDC

TO AMEMBASSY CAIRO PRIORITY

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E.O. 11652: GDS

TAGS: EAID, USEGJC

SUBJECT: IBRD-LED CONSULTATIVE GROUP FOR EGYPT

REF: CAIRO 9517.

1. IBRD VICE PRESIDENT FOR MIDDLE EAST WAPENHANS, WHO HAS JUST SUCCEEDED BENJENK, INFORMED POATS THAT SHAFEI BEFORE DEPARTING WASHINGTON AFTER BANK/FUND MEETING EXPRESSLY ASKED BANK TO CONSIDER FORMING INTERNATIONAL AID CONSULTATIVE GROUP FOR EGYPT. BENJENK RESPONDED THAT BANK WOULD BE GLAD TO CONSIDER REQUEST WITH OTHER PROSPECTIVE MEMBERS OF GROUP BUT WOULD ACT ONLY ON BASIS OF WRITTEN REQUEST. SHAFEI SAID HE WOULD TAKE UP MATTER WITH HIS GOE COLLEAGUES AND INDICATED LETTER TO McNAMARA WOULD BE FORTHCOMING SHORTLY.

2. POATS ADVISED WAPENHANS THAT AMBASSADOR EIILTS HAD FOUND FINMIN ABU ISMAIL UNAWARE OF SHAFEI'S INTENTIONS
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AS RECENTLY AS SEPTEMBER 24 BUT THIS MAY BE ATTRIBUTABLE

TO SHAFEI'S DELAYED RETURN TO CAIRO.

3. IBRD STAFF GROUP INCLUDING IKHRAM WILL RETURN TO CAIRO IN MID-OCTOBER FOR QUARTERLY CONSULTATIONS WITH GOE AND WILL ENCOURAGE GOE ACTION ON CONSULTATIVE GROUP PROPOSAL IF LETTER NOT YET SENT AT THAT TIME.

4. WAPENHANS AGREED THAT GROUP SHOULD INCLUDE ARAB DONORS AND THAT IT SHOULD COVER BOTH DEVELOPMENT PROJECT COORDINATION AND CURRENT MAINTENANCE TYPE AID COORDINATION, DEALING WITH BOTH AGGREGATE AND MICROECONOMIC POLICY ISSUES AFFECTING EGYPT'S AID REQUIREMENTS AND PROSPECTS FOR ACHIEVING SELF-SUPPORT. HE IS UNSURE HOW ARAB GOVERNMENTS WILL REACT TO PROPOSAL, PARTICULARLY INCLUSION OF NON-PROJECT AID AND RELATED POLICY ISSUES. CONSULTATIONS WITH ARAB IBRD DIRECTORS CANNOT BEGIN UNTIL GOE FORMALLY REQUESTS IBRD TO ORGANIZE CG.

5. IN FURTHER DISCUSSIONS WITH SHAFEI ON THIS MATTER, WE SUGGEST AMBASSADOR ENCOURAGE EARLY GOE REQUEST TO IBRD TO FORM GROUP COMPREHENSIVE IN BOTH MEMBERSHIP AND FORMS OF INTERNATIONAL ECONOMIC ASSISTANCE. PLANNING FOR ALLOCATION OF EGYPTIAN IMPORT FINANCING AND COMMERCIAL DEBT MANAGEMENT IN 1976 SHOULD BEGIN IN OCTOBER, WITH IBRD TEAM, IN CONTEXT OF PREPARATION FOR CONSULTATIVE GROUP MEETING SUFFICIENTLY EARLY IN NEW YEAR TO AVOID IMPORT-FINANCING CRISIS. IDEALLY, GOE-IBRD DECISION SHOULD HAVE BEEN TAKEN BEFORE SADAT VISIT AND JOINT COMMISSION MEETING, SO THAT DISCUSSION IN LATTER CAN LOOK TO COOPERATION IN ORGANIZING CONSULTATIVE GROUP AND SHIFTING LEAD ROLE IN INTERNATIONAL NON-PROJECT FUND-RAISING FOR EGYPT FROM USG TO IBRD-LED CG. INGERSOLL

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